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The competitiveness of small states: Insights on flexible specialisation

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Abstract: Against a historical background of institutional development planning, strategic (yet pragmatic) flexibility is a crucial component of small state governance. A "strategy of flexible adaptation" is deemed to be the best management and leadership style capable of securing the best achievable outcomes in the evolving or abruptly changing scenarios that characterise small states. The smaller the state or territory, the greater the likelihood that its domestic, internal affairs will be dominated, responsive to and driven by exogenous factors (including terms of trade, tourism trends, migration flows, remittances, aid and other 'rents'). Governments and institutions in small states need to suggest leadership and foresight in the trajectory of development while being agile and nimble at grasping opportunities, if and when they may arise. This paper first traces the manner in which 'flexible specialisation' dictates and drives a considerable amount of actions and decisions in small jurisdictions. It then explores how these structural obligations nevertheless transform themselves into the nurturing and maintenance of competitive niches, each of which comes along with specific skill set and infrastructural requests.

Keywords: competitiveness, flexible specialisation, governance, jurisdiction, policy making, pretence, small states, small territories, vulnerability

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Introduction

In his 'election manifesto' of March 2016, Professor Alfred J. Vella, now the Rector of the University of Malta, was candid about his difficulty of planning for a future that may not come about in the manner predicted by either the recent past or current realities. And so, he proffered a "strategy of flexible adaptation to secure best achievable outcomes in evolving or abruptly changing scenarios" as the best likely management and leadership style in Malta's only national and publically funded university (Vella, 2016, p. 2).

This is a rare, candid admission. And yet, what relates to this one person and one institution can be generally applied across the board in the world of small jurisdictions. The smaller the state or territory, the greater the likelihood that its domestic, internal affairs will be dominated, responsive to and driven by exogenous factors (including terms of trade, tourism trends and receipts, migration flows, remittances, aid flows and other rentier income) rather than endogenous ones. Additionally, and in such circumstances, the smaller the state or territory, the greater becomes the obligation of its government and other institutional structures to *pretend* that they can, and do, plan ahead, and thus control their own fate. This is to suggest leadership and foresight in the trajectory of development; while, in practice, the latter is more likely to prove an outcome of small state citizens and policy makers being agile and nimble at grasping opportunities if and when they arise, even if these may have little traction with any existing plans. The chronicle of 'development' in small states and territories is often much more easily constructed *after* the event, when a series of what are often discrete, disparate and serendipitous, sometimes contradictory, events coalesce as a coherent narrative of economic progress and modernisation when 'played back'. Admitting this vulnerability of governance flies in the face of expectations, not least by policy makers themselves (who are policy takers most of the time, dancing to the latest tune) and possibly by their publics who expect them to exercise more control over destiny. Governments are supposed to govern, after all.

Using mainly secondary data, this paper suggests a narrative that departs from that discourse of security, predictability, goal setting and goal achievement that all states, including small states, take on, almost as a *sine qua non* of government, legitimacy and public trust. It first traces the manner in which 'flexible specialisation' dictates and drives a considerable amount of actions and decisions in small jurisdictions, with a focus on my birth country of Malta. It then explores how these structural obligations nevertheless transform themselves into the nurturing and maintenance of competitive niches, each of which then comes along with specific skill sets and infrastructural requests. I intersperse throughout the paper a commentary gleaned from the author's own past research, as well as his current position as a member of Malta's National Skills Council.

The argument suffers from the weakness of being developed on the basis of a case study of a single small state: Malta is the state I know best; and my insider status allows me to come to better terms with institutional dynamics that often operate 'under the radar' and are rarely, if ever, documented. The observations and conclusions, however, are shared by a select and critical, small state literature which also claims that "national sovereignty does not always equal control" (Corbett & Connell, 2015, p. 435).

In this paper, I also deliberately refrain from positing a definition of a 'small state', not just because this is problematic and elusive (Maass, 2009; Baldacchino & Wivel, 2020); but because this is not quite pertinent to the argument at hand. The processes described in this paper become more salient with decreasing state size; and they become the norm in the world's smallest jurisdictions.

Economies of Scope

Panzar and Willig (1981) developed the term 'economies of scope' to describe a situation where it is more profitable to combine two or more product lines in the same firm than to produce them separately. The concept can be extended to describe the "security centered survival algorithm" of small state citizens (Brookfield, 1975, pp. 56-57).

In lauding specialisation and the advantages of scale, mainstream economic wisdom discounts the strategic opportunism that characterises the citizens of many small states the world over. This involves behaviour grounded in economies of *scope* (and not economies of *scale*); these are the flexible and opportunist operations involving monetised, non-monetised, public/formal <u>and</u> intermediate/informal economies, both local and foreign, for overall economic gain (Baldacchino, 2000). This typically involves both employment and self-employment, simultaneously or successively. The life-histories of the inhabitants of small jurisdictions, where meticulously documented, tend to reveal a complex juggling of such antinomies. Thus, Isaac Caines, from the Caribbean island of St Kitts (profiled in Richardson, 1983); Kawagl, from the Melanesian South Pacific (profiled in Brookfield, 1972); and Marshy, street vendor from Jamaica (Wardle, 2002), all demonstrate a savvy skill repertoire in the economies and temporalities of scope which include entrepreneurship, flexible specialisation, public sector employment and stints abroad (*also* Brookfield, 1975; Carnegie, 1987; Comitas, 1973).

In such a scenario, the key skill is to be able to adapt and respond, quickly and competently, to windfall opportunities, often impossible to predict ahead of time. A significant stock of "multi-functionalism" is essential if one is to tap into what cannot really be planned for in advance; and which is then too late to plan for when it suddenly turns up on your doorstep (Bennell and Oxenham, 1983; Randma, 2001).

There remains a widespread need to better acknowledge and problematise the manner in which individuals, households, organisations but also governments in small jurisdictions develop mechanisms that allow them to exploit the benefits, and/or minimise the losses, associated with the episodic economic lurches that are the story of their lives. Operating with 'strategic flexibility' would explain how actors practise inter-sectoral migration: cleverly shifting focus, interest and scope, not just out of necessity (reactively) but in 'smelling' promising opportunities (proactively). In a scenario where change is taken as a given, learning about, managing and coping with such change become the hallmarks of economic survival: just like surfers handling an ocean swell (Baldacchino, 2011).

The small developmental state

The corollary to working in conditions of uncertainty and being prepared to adapt to, and adopt, the winds of change is the inherent difficulty in being able to plan ahead.

Planning involves determining the appropriate actions that are required to make forecasts match objectives. Planning combines forecasting with a preparation for scenarios and how best to react to them. Forecasting, and the planning which it informs, should be an integral part of the decision-making activities of management. While effective planning in small states can only be indicative, it also needs to pre-determine or guess the broad directions that are likely to be taken or envisaged, at least in the short and medium term.

It should not come as a surprise to note that, of all the areas of policy, it is education that has been the focus of planning in small states, and this is well documented in the small states literature (Baldacchino and Farrugia, 2002; Bray and Packer, 1993). Education is a policy field where returns and investments take time; where *basic* and *core* skills can be forecasted to remain in demand; and where generalist curricula, late resorts to specialisation and the portability and transfer of certification to desirable locations and markets overseas, remain the typical approaches followed in small jurisdictions everywhere (e.g. Bernal, 2018). Additionally, since the quantity of educational provision is driven by demography, this is more amenable to planning: birth and death rates do not change erratically and it is significant migration flows in and/or out of the small state that can wreak havoc with plans for more or less kindergartens, primary schools or adult education classes.

But: planning in small states extends far beyond education. Development plans have sought to suggest the directions that small state governments wish to take. Such plans are drafted; but not necessarily as exercises that seek to predict and therefore nudge towards future scenarios; but as indications of a series of state desirables which may meet donor interests. Indeed, development plans have also been crafted with the main view to satisfy the requirements of private and/or public donor agencies that need to match requests to funding availability; as well as with a nod to domestic audiences and publics that expect governments to plan as a manifestation of their authority and competence. This expectation is irrespective of any sense of effective control on the independent (and mainly extraneous) variables that impinge on the planning process.

30 years of 'development planning' in Malta

Let me here narrate the experience of the small European island state of Malta (current resident population: 450,000 approx.) with the thirty 'development planning' years of 1959-1998 (Baldacchino, 1998; Brincat, 2009). Malta's approach to development planning has been indicative, avoiding the air of surety and certainty that was bound to be proved wrong. And yet, *none* of Malta's six development plans got anywhere close to their purported targets: three dramatically exceeded their objectives; and the other three disappointingly failed to get even close (Vella, 1994).

Malta's First Development Plan (1959-1964) followed hot on the heels of the 1956 Suez crisis and the UK Government's subsequent decision to terminate its military facilities in many overseas bases, including its erstwhile Mediterranean fortress colony of Malta (Frendo, 2000). The island's economy was facing an unprecedented radical shake-up. At that time, the colonial establishment directly employed some 23,000 Maltese: over one third of the labour force.

British military personnel and associated expenditures – including rents, provisions, fuel, transport, energy and equipment – were going to be drastically and irrevocably cut, and for good. This much was the stark and sombre reality. The alternative sources of livelihood that would have to sustain the Maltese shorn of the infrastructure of a "fortress colony" (Craig, 1991) – the only asset they had known and held for centuries in the eyes of others, as much as their own – were uncertain. Foreign advisors were not optimistic: Woods (1945) had suggested mass migration; Schuster (1950) was of the same opinion. Balogh and Seers (1955) were cautiously optimistic, and for the first time officially proposed a concrete programme of export-led development based on foreign direct investment.

The First Development Plan made clear that the wealth which in the past, Malta had "derived securely and comfortably as a result of the crucial strategic role will inevitably decline" and could no longer be relied upon to support the standards of living to which the Maltese had become accustomed. And so, the Plan proposed to attract foreign industrial investment, which in turn required fiscal inducements (grants, loans, a 10-year tax holiday, exemption from customs duty), suitably skilled and cheap labour, plus basic physical services (efficient harbour facilities, adequate roads, power, etc.) along with the development of tourism. It foresaw the creation of 19,000 new jobs and assumed 10,000 employable workers would emigrate during the plan period.

There was no way for the Plan to know whether what it aspired to could actually materialise. The rate of contraction of the UK defence establishment in Malta was also an unknown factor in the equation at the time. However, the plan was necessary for the UK Government, in January 1959, to contribute £29 million towards Malta's development programme over a 5-year period (Briguglio, 1981, p. 2). Indeed:

> The first development plan for Malta, covering the years 1959 to 1964 *was based on* a Lm29 million contribution by the British government (Briguglio, 1988, p. 205; my emphasis).

And yet, the anticipated results did not occur. The Plan itself had to be reviewed in 1961 when it became clear that the downsizing of the UK base facilities would leave rougher and harsher consequences than had been planned for. Only 23 'aided industries' materialised, of which 12 were labour-intensive garment firms. When the Second Development Plan (1964-1969) was rolled out, it had to admit that "the [First] plan did not achieve the projected aims, mainly due to the fact that it was overtaken by events … the anticipated employment figures were not attained" (2nd Plan, p. 1).

And so, the targets of the Second Development Plan were set with extreme caution. A report by a United Nations mission confirmed a bleak future and advised a mass yearly emigration quota of 10,000 to maintain existing living standards (Stolper et al., 1964). Political independence was secured in 1964 but there was no accompanying euphoria. The plan was an instrument of containment: "little more was expected of it than that it should keep the economy ticking" (3rd Plan, p. 8). The UK decision to devalue the pound in 1967 did not help much: the Malta pound was then pegged on a par with sterling.

Yet the outcome went beyond expectations. Rapid economic expansion led to a 38% increase in GDP in real terms between 1965 and 1969. A Joint Anglo-Maltese mission early in 1967 claimed that a target of 15,000 new jobs by 1972 was actually achievable.

The Third Development Plan (1969-1974) sought to maintain the same basic recipe for economic growth. The one main novelty was an Association Agreement with the then European Economic Community (EEC). A net increase of 4,700 jobs was envisaged by growth in manufacturing and tourism, plus a continuation of outmigration.

The actual state of affairs in 1974 was stark: 4,000 less jobs. This time, the planners were spared most of the embarrassment: exogenous factors were not lacking. The 1973 oil price hike was the significant independent variable over which they had no control; this event was the convenient scapegoat which masked a broader and perennial economic vulnerability.

The Fourth Development Plan (1973-1980) cut short the life of its predecessor. There had been a transfer of power in 1971, and the incoming Labour government proposed a much stronger presence of the state in local economic development. While a slate of nationalisations occurred – in wireless, energy and air transport, for example – the Plan's aspirational economic growth leaders were the usual suspects: manufacturing, ship-repair and tourism; and not other services, contrary to expert advice (Metwally, 1977). In spite of the political rhetoric of a 'fundamental break with the past', a new administration in a small state may have such limited room for manoeuvre as to basically be obliged to generally continue the policies of its predecessors (Scicluna, 1991, p. 2; Micallef, 2019). The time period of this plan witnessed the closure of the UK military base, which had been mercifully extended to 1979. This extension was only secured after hard bargaining, with annual rents of US$42 million (Wriggins, 1975).

The year 1979 was therefore designated as the 'year of destiny' and the Plan sought to meet the challenge which the loss of the significant 'fortress economy rent' and other multiplier effects would inevitably cause. Provision had to be made for some 20,000 jobs over the plan's 7-year period, plus assuming annual emigration levels of 3,000, and so a net population decrease of 1%. Its targets were introduced with an indicative, cautionary tone; one which today can be seen to fit snugly within the paradigm of vulnerability and resilience:

> The Maltese islands are heavily dependent on international trade. Planning in Malta must therefore be particularly flexible. Flexibility means the creation and encouragement of attitudes and institutions that are capable of making good use quickly of a favourable turn of events in the world economy, and of adjusting speedily to unfavourable circumstances (4th Plan, p. 51).

Instead of a net population decline, the Plan period witnessed a population increase of 5.7%, mainly due to unforeseen, tighter immigration controls in the traditional destination countries of Maltese emigrants: Australia, Canada, UK and US. Nevertheless, the gainfully occupied soared by 16,300, of which 8,000 in manufacturing alone. GDP at factor cost had grown at the phenomenal annual rate of 14.3 per cent.

And so the planners could, for the second time, publically demonstrate their good fortune and take credit for the glowing economic results, in spite of their flawed predictive powers. And again for the second time, the euphoria and success – albeit unexpected, but who cares? – of the 4th Plan was paraded in the optimistic 5th Plan (1981-1986), with its target of 7,000 new jobs in manufacturing and 3,000 in services, plus a freeze on public sector employment.

The 5th Plan went totally wrong. Export, investment and employment targets went awry. A 'containment strategy' had to be cobbled together to stave off the effects of a damaging international recession. Unemployment shot up to a record 8% in 1983 and 1984.

The euphoria of planning was once again met with disillusionment. The sixth, and last, development plan covered only a 3-year period: 1986-1988. The time span had been shortened "… in view of the various unpredictable external forces that are expected to continue to weigh heavily upon Malta's development" (6th Plan, p. 94).

A change in government in 1987 led to the abandon of the sixth plan.

Finally, six plans and 30 years later, the sober lesson appears to have been learnt:

> Recent experience has shown even more sharply the exposure of the Maltese economy to international economic developments and their impact on the country's overall growth process. In these unsettled conditions, planning has been rendered more hazardous and it has become less meaningful to formulate development plans, spell out broad sectoral targets and draw up projections for future years, when outside shocks can be so frequent and unpredictable and prove so disruptive (6th Plan, p. 2).

No further plans were drafted in Malta.

The Fiction of Control

It was actually *never* meaningful to craft development plans in and for Malta, except so as to provide a *fiction of control over development* which could align with donor interest and intent. The smaller the economy, the less control its governments have over its overall performance. The best that the governments of the world's smallest states can do, really – although they are not likely to admit it – is to provide the 'good governance' and critical infrastructure that can 'rise to the challenge' of opportunity quickly and effectively, when this presents itself.

Multi-level governance increases the necessity to resort to this fiction of planning. With Malta a member of the United Nations since 1964 and of the European Union since 2004, an obligation to plan and chart the country's future is necessary. Thus, to the domestic pressure of the need to show that a government is in control and can plan accordingly, are added the international obligations that result from external purview, audit and benchmarking. Moreover, there is a "natural desire to quantify, measure and evaluate" (Wilson, 2016, slide 16). Goals, targets and objectives characterise some of ways in which the UN, and Brussels, reach out to urge development in specific directions, such as the eradication of poverty and progress along the Sustainable Development Goals; as well as the reduction of unemployment, the increase in the female participation rate, greenhouse gas emissions, and the reduction in the number of youths, especially males, not in education or training (NEETs) (e.g. European Commission, 2019).

The Maltese government is also developing a skills/occupational anticipation system to forecast skill needs. This is partly in response to the caustic observation that "there is no particular institutional mechanism dedicated specifically to the anticipation of skills needs in Malta" (CEDEFOP, 2015, p. 37). A rapidly changing labour market environment makes it even more difficult to forecast future skill demand in and for the country (ibid.). Various skills-relevant strategic documents have recently been commissioned by government and subsequently published. These include: a lifelong learning strategy, an early school leaving strategy, a vocational education and training (VET) and higher education strategy, a national youth policy, a national language policy, a literacy strategy, a digital literacy strategy, a postsecondary working group report and an employment strategy. Yet, one must wonder as to the effectiveness of such reports as skill forecasting tools. Their unintended consequence, perhaps, is to safeguard the country's disposition towards generalist (rather than specialist) skills, including a repertoire which is often described as 'soft' or 'people skills' and which however is anything but soft: effective oral and written communication, pleasant disposition and courtesy, proficiency in multiple languages, ability and confidence to work in groups, willingness to serve, integrity, flexibility, self-discipline, a commitment to excellence, creativity and innovation (Robles, 2012).

Retrospective narratives of development

In small states, it becomes much easier to chart development trajectories *after* the event rather than before. A longitudinal look at the evolution of the Maltese economy in recent decades has seen it move firmly into the services sector. A rump of manufacturing activity has remained, including survivors from the spurt of the 1970s, but with some new additions such as in generic pharmaceuticals and aircraft maintenance. Ship repair has contracted and has been completely privatised. Tourism has matured, and expanded into various niche sectors (such as cruise ship, English language training, scuba diving, festival and medical care), topping 2 million visitors for the first time in 2016. Clusters which have been doing exceptionally well include: electronic gam(bl)ing, financial services, information technology and computer programming, legal and accounting services, wholesale and retail trade, and real estate. Aquaculture is now the main provider of fish products by value (and includes tuna penning).

"Strategic pragmatism" has also been the consistent bottom line pursued by the economic development agencies of such successful, small states as Singapore (Schein, 1996). There, location and the prior exposure and experience as a regional port brought into existence a cosmopolitan and entrepreneurial society, wary of its existence surrounded by much larger countries, but being able to service these same countries with its superior infrastructure, logistics and knowledge capital. There, a technocratic government introduced and rigidly protects the principles of a multicultural society, and ensures that the economy is supported by considerable amounts of foreign, skilled and unskilled labour.

Like Singapore, Malta qualifies as an entrepôt island economy (literally, a trading centre): "a market enjoying the fortress's advantages of location and centrality, but generating internally the conditions fostering its success: specifically investment finance, entrepreneurial flair as well as a legal, regulatory and dispute resolution regime that facilitates market transactions and innovation by minimising cost and risk" (Warrington and Milne, 2007, p. 413).

Looking forward, it is 'fintech' that has promise in 21st century Malta, and aligns well with existing expertise in financial services and information technology. Prime Minister of Malta Joseph Muscat has tweeted on March 23rd 2018 that:

> We aim to be the global trailblazers in the regulation of blockchain-based businesses and the jurisdiction of quality and choice for world class fintech companies" (Warren, 2018).

In 2017, the Maltese cabinet of ministers had approved the first draft of a national strategy to promote blockchain technology. Malta is also in the process of setting up a Malta Digital Innovation Authority to certify blockchain companies and establish a legal framework for initial coin offerings (ICOs). Binance, the world's largest crypto-currency exchange, appears to be heading to Malta (Castor, 2018). And OKEx, the second largest such exchange, appears to be following suit: Malta is now being called 'Blockchain island' (Rud, 2018).

The diversification of the small Maltese economy is impressive (Grech, 2015). Its vertiginous rates of growth in recent years have generated a desperate need for scarce local human resources which – notwithstanding a 20 percentage point increase in the local female participation rate since 2000 – can only be met by immigrant workers, from both the European Union (especially from Italy) and Third Country Nationals (including Serbs, Russians and Filipinos). Unemployment is at a record low of around 3.6% and some 42,000 workers are now in Malta, a demographic that would have been impossible to predict even a few years ago (Iversen, 2018). Whether these foreign nationals will stay in Malta, deliberately spend a working period and then return home, or simply leave when the economy shifts to recession, remains to be seen. Should the Maltese economy continue to grow at current rates, an additional 30,000 foreign workers will be required within a few years (ibid.). But: 'current rates' are notoriously hard to lock, going forward.

The advantage of natural resource poverty

Malta, like Singapore, Bermuda, Hong Kong and various small island states and territories, did not have a naturally available and exploitable economic resource. Malta is a resource poor archipelago: there are (as far as one can tell) no rich seams of mineral reserves on land or below ground, and no rich fish, marine stocks or economically viable oil or gas deposits offshore. Even the soil is shallow and alkaline; rainfall is scarce and seasonal. Individual fields and plots are small and not suitable for industrial farming. This 'natural poverty', recognised early on in the epoch of development planning (Bowen Jones et al., 1962), has historically spared the country from a powerful land-owning bourgeoisie which would have lobbied the state apparatus to protect or privilege its assets. A manifestation of this would be the plantation or mineral extractive economies of the island Caribbean, Fiji, Mauritius and Nauru. Whole small island state economies have become easily dependent on a main cash crop – be it tobacco, cocoa, sugar, phosphate, bananas or pineapple – distorting market signals and reducing the necessity of competitively tapping other economic sectors (e.g. Teiawa, 2014). The absence, or low political clout, of a rural hinterland and its associated elites has saved such jurisdictions from "the slowcoach of agriculture" (Streeten, 1993, p. 199). Shorn of the protection of regular and reliable state aid (in the form of rents for military services), and with political independence thrust upon it (after a failed integration bid with the UK in the mid-1950s), Malta had to either sink or swim.

And swim it did, although not always gracefully and swallowing some water in the process.

What all this means is that, in retrospect, Malta has been generally capable of exploiting opportunities and to offer itself as a low-risk platform to export-led investment fuelled by foreign technology and serving foreign markets (Sklair, 2012). In the process, it has grown into a country with a resident population fast approaching the 450,000 mark, shifting from a 'third world' to 'first world' country – much like a Singapore of the West.

These successes need to be seen as consequences of a mix of agency, serendipity and destiny. Malta's weaning itself from the 'fortress economy' set-up coincided with an outflow of foreign investment from Western Europe looking for higher profitability by better managing labour costs (Grech, 1978). Accession to the European Union probably provided additional levels of political stability, institutional oversight and assurances of the pursuit of sound neo-liberal policies. A decent work ethic and a sound educational system continue to produce capable workers, including a wide competence in the speaking of English. And, on top of all this, whether because of the educational system or in spite of it, there is some resistance to excessive specialisation and a shrewd resort and disposition towards a broadening of one's skill portfolio, and the banking on multiple sources of revenue generation.

The corollary of this at the national level is a "rapid response capability" (Bertram and Poirine, 2007, p. 333); an agile and flexible regulatory framework. The machinery of government is adept at quickly creating the legislative mechanisms and protocols that respond to specific felt needs of actual or potential investment: to the extent that the 'soft state' (Hydén, 1983) may suggest itself as being a 'legislature for hire' and lend itself to capture by elites, local and/or foreign (Hampton and Christensen, 1999).

These ideas extend and nuance the arguments of Armstrong & Read (2003), who suggest that the key 'conditioning' variables for small state development are openness to trade, human capital accumulation and location; or the thrust of smart specialisation strategies to power innovation (Asikainen, 2016; Breznitz, 2007; Foray, 2014; Ornston, 2012).

Mastering the art of indirection

Peter Katzenstein concludes his 1985 work, as well as his 2003 rejoinder, with an 'Aesopian fable', after the storyteller from Classical Greece, which is worth reproducing in full:

> The adjustment strategy of the small European states is summed up by the story of the snake, the frog and the owl. Fearful of being devoured by the snake, the frog asks the owl how he [sic] might survive. The owl's response is brief and cryptic. Learn how to fly. None of the small European states have to soar like the eagle. What they have learned to cultivate is an amazing capacity to jump. Although they appear to land on their stomachs, in fact they always land on their feet and retain the ability to jump again and again in different directions, correcting their course as they go along. In a world of great uncertainty and high-risk choices, this is an intelligent response. Enough frogs can escape snakes, and the small corporatist states can continue to prosper: not because they have found a solution to the problem of change but because they have found a way to live with change (Katzenstein, 1985, p. 211; 2003, p. 30).

Planning, and its associated narratives, may suggest soaring, an ability to chart one's journey and plot one's trajectory, with a modicum of dignity. Small European states, and small states generally, are unable to perform such grand exploits, to the consternation of many observers, agencies and external think-tanks who expect them to do better. To these external observers, the inability to soar (read: plan effectively) is often seen as a failure of small state governance, and an indicator of poor and rudderless development. And yet, while small states have no choice but to sham and fake their development planning, they still somehow get along; jumping, even if clumsily, from one opportunity to another, and somehow landing on their feet.

Against a historical background of institutional development planning, strategic (yet pragmatic) flexibility is a crucial component of small state governance.

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